

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

SAGINAW HOUSING COMMISSION

Financial Statements

June 30, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE JUNE 30, 2005

The Saginaw Housing Commission's (SHC) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of SHC's financial activity, (c) identify changes in SHC's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

The Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with SHC's financial statements.

FINANCIAL HIGHLIGHTS

- * SHC's net assets decreased by \$1,035,454 (or 5.0%) during 2005. Since SHC engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$20,816,964 and \$19,781,510 for 2004 and 2005 respectively.
- * The business-type activities revenue decreased by \$1,109,219 (or 9.9%) during 2005, and were \$11,226,944 and \$10,117,725 for 2004 and 2005 respectively.
- * The total expenses of all SHC programs increased by \$230,870 (or 2.2%). Total expenses were \$10,273,303 and \$10,504,173 for 2004 and 2005 respectively.

The primary focus of SHC's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the SHC as a whole (SHC-wide) and the major individual funds. Both perspectives (SHC-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or PHA to PHA) and enhance SHC's accountability.

SHC-Wide Financial Statements

The SHC-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire housing commission.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for SHC. The Statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

SHC-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, depreciation, and Non-Operating Revenue and Expenses, such as grant revenue and investment income.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The SHC consists of exclusively Enterprise Funds.

Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by SHC are required by the Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

SAGINAW HOUSING COMMISSION FUNDS

Convention Public Housing - Under the Conventional Public Housing Program, SHC rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

The Conventional Public Housing Program also includes the Capital Fund Program and New Development Program, which are the primary funding sources for physical and management improvements to SHC's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, SHC administers contracts with independent landlords that own property. SHC subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable SHC to structure a lease that sets the participant's rent at 30% of household income.

Other Non-major Funds - In addition to the major funds above, SHC also maintains several non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses that have less than 5% of SHC's total assets, liabilities, revenues, or expenses. Other Non-major funds consists of the following:

Supportive Housing Program - a grant program funded by HUD is designed to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons to enable them to live as independently as possible.

Shelter Plus Care Program - a grant program funded by HUD is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs, or both; or have acquired immunodeficiency syndrome (AIDS) and related diseases) and their families. The program provides grants to be used for rental assistance for permanent housing for homeless persons with disabilities.

FINANCIAL CONTACT

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SHC-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. SHC is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Current and Other Assets	2,352,270	2,125,567
Capital Assets	<u>17,429,240</u>	<u>18,694,397</u>
Total Net Assets	19,781,510	20,819,964
Current Liabilities	639,722	1,003,031
Long-Term Liabilities	<u>860,569</u>	<u>283,089</u>
Total Liabilities	1,500,291	1,286,120
Net Equity:		
Invested in Capital Assets, Net of Related Debt	17,429,240	18,694,397
Unrestricted	<u>851,979</u>	<u>839,447</u>
Total Liabilities & Equity	19,781,510	20,819,964

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$226,703 and current liabilities were decreased by \$363,309.

Capital assets also changed significantly, decreasing from \$18,694,397 to \$17,429,240.

The \$1,265,157 decrease may be attributed primarily to an increase in accumulated depreciation.

TABLE 2

The following schedule compares the revenues and expenses for the current and previous fiscal year. SHC is engaged only in Business-Type Activities.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2005	2004
Revenues		
Tenant Revenue - Rents & Other	1,250,267	1,282,341
Operating Subsidies & Grants	7,593,363	7,402,453
Capital Grants	866,814	2,400,888
Investment Income	20,595	11,907
Other Revenues	<u>386,686</u>	<u>129,355</u>
Total Revenues	10,117,725	11,226,944
Expenses		
Administrative	1,208,562	1,206,216
Tenant Services	42,462	5,619
Utilities	628,015	583,144
Maintenance	1,150,437	1,014,867
Insurance	170,343	148,878
PILOT	52,606	52,733
Other General	599,774	921,529
Extraordinary Maintenance	11,500	14,534
Casualty Losses	10,409	(68,460)
Housing Assistance Payments	5,221,485	4,893,549
Depreciation	<u>1,408,580</u>	<u>1,500,694</u>
Total Expenses	10,504,173	10,273,303
Net Increase or (Decrease)	(386,448)	953,641

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

Tenant revenue declined. This reduction was primarily due to vacancies within SHC properties.

Operating Subsidies, Grants, and Capital Grants increased slightly. This increase was primarily due to activity in the area of capital grants with modernization.

Total expenses increased due to increased utilities, maintenance costs, and housing assistance payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, SHC had \$17,429,240 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$1,265,157 or 7% from the end of last year.

TABLE 3

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>2005</u>	<u>2004</u>
Land and land rights	2,708,803	2,919,124
Buildings	43,473,029	43,214,151
Equipment - Dwelling	685,531	621,588
Equipment - Administrative	1,147,078	1,117,072
Accumulated Depreciation	(30,655,467)	(29,247,804)
Construction in Progress	<u>70,266</u>	<u>70,266</u>
Total	17,429,240	18,694,397

The following reconciliation summarizes the change in Capital Assets.

TABLE 4

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	18,694,397
Additions	143,423
Retirements	913
Net of Depreciation	(913)
Depreciation	<u>(1,408,580)</u>
Ending Balance	17,429,240

This year's major additions are:

Business - Type Activities

Capital Fund Program	136,690
Equipment Purchases	<u>6,733</u>
Total Additions	143,423

ECONOMIC FACTORS

Significant economic factors affecting SHC are as follows:

- * Federal funding of the Department of Housing and Urban Development
- * Local labor contract, which affects salary, wages, and benefits
- * Local inflationary, recessionary, and employment trend, which can affect resident incomes and therefore the amount of rental income
- * Inflationary pressure on utility rates, supplies, insurance, and other costs

John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
Saginaw Housing Commission
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Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Saginaw Housing Commission as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sample Housing Commission as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

October 18, 2005

SAGINAW HOUSING COMMISSION
Combined Statement of Net Assets
June 30, 2005

ASSETS

C-3029

CURRENT ASSETS

Cash	\$ 1,936,390	
Cash- Restricted	83,433	
Accounts Receivable (net of allowance for doubtful account \$ 751)	17,020	
Accounts Receivable- Other	6,568	
Prepaid Expenses & Inventory	<u>308,859</u>	
 Total Current Assets		\$ 2,352,270

NON CURRENT ASSETS

Land	\$ 2,708,803	
Buildings	43,473,029	
Furniture, Equipment- Dwellings	685,531	
Furniture, Equipment- Administrative	1,147,078	
Leasehold Improvements	70,266	
Accumulated Depreciation	<u>(30,655,467)</u>	
 Total Non Current Assets		<u>17,429,240</u>

<u>TOTAL ASSETS</u>	\$ <u>19,781,510</u>
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SAGINAW HOUSING COMMISSION
Combined Statements of Net Assets
June 30, 2005

LIABILITIES

C-3029

CURRENT LIABILITIES

Accounts Payable	\$	111,063	
Accrued Wages & Payroll Taxes		53,308	
Tenants Security Deposit		108,101	
Accounts Payable- Other Governments		52,606	
Other Current Liabilities		<u>314,644</u>	
<u>Total Current Liabilities</u>	\$		639,722

NONCURRENT LIABILITIES

Pension & Insurance Escrows	\$	650,901	
Compensated Absences-noncurrent		<u>209,668</u>	
<u>Total Noncurrent Liabilities</u>			<u>860,569</u>
<u>Total Liabilities</u>	\$		<u>1,500,291</u>

NET ASSETS:

Investment in Fixed Assets, net of related Debt	\$	17,429,240	
Unrestricted Net Assets		<u>851,979</u>	
<u>Total Net Assets</u>			<u>18,281,219</u>

The Accompanying Notes are an Integral part of the Financial Statements

SAGINAW HOUSING COMMISSION
Combined Statement of Income, Expenses, and Changes in Net Assets
For the year ended June 30, 2005

REVENUE

Tenant Rental Revenue	\$ 1,250,267	
HUD Grants	8,460,177	
Interest Income	20,595	
Other Income	<u>135,596</u>	
<u>Total Revenue</u>		\$ 9,866,635

EXPENSES

Administrative	\$ 1,208,562	
Tenant Services	42,462	
Utility Expenses	628,015	
Ordinary Maintenance	1,150,437	
General Expenses	<u>822,723</u>	
<u>Total Expenses</u>		<u>3,852,199</u>
<u>Excess (Deficiency) of Revenues over Expenses</u>		\$ 6,014,436

OTHER SOURCES & (USES)

Extraordinary Maintenance	\$ (11,500)	
Gain on the sale of Assets	251,090	
Casualty Losses	(10,409)	
Housing Assistance Payments	(5,221,485)	
Depreciation Expenses	<u>(1,408,580)</u>	
<u>Total Other Sources (Uses)</u>		<u>(6,400,884)</u>
<u>Change in Net Assets</u>		\$ <u>(386,448)</u>
Total Net Assets- Beginning		18,580,203
Prior Period Adjustment: Correction of Prior Year Accruals & HUD Funding		<u>87,464</u>
Adjusted Beginning Balance		\$ <u>18,667,667</u>
Total Net Assets- Ending		\$ <u>18,281,219</u>

The Accompanying Notes are an Integral part of the Financial Statements

SAGINAW HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended June 30, 2005

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Business Type Activities</u>
Receipts from Customers	\$ 1,260,863
Payments to Suppliers	(8,686,819)
Payments to Employees	(1,022,442)
HUD Grants	8,460,177
Other Receipts (Payments)	<u>407,281</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>719,060</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchases of Capital Assets	\$ <u>(352,827)</u>
Net Cash Provided (Used) from Financing Activities	\$ <u>(352,827)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 366,233
Balance- Beginning of Year	<u>1,570,157</u>
Balance- End of Year	\$ <u>1,936,390</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Net Profit or (Loss)	\$ (386,448)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,408,580
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(15,041)
Prepaid Expenses	(28,744)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(128,676)
Accrued Liabilities	(176,669)
Accrued Compensated Absences	34,268
Security Deposits	712
Accounts Payable- Other Governments	29,081
Deferred Revenue	(8,244)
Pension & Insurance Escrows	<u>(9,759)</u>
Net Cash Provided by Operating Activities	\$ <u>719,060</u>

The Accompanying Notes are an Integral part of the Financial Statements

SAGINAW HOUSING COMMISSION
Notes to Financial Statements
June 30, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Saginaw Housing Commission, Saginaw, Michigan, (Commission) was created by ordinance of the city of Saginaw. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following as of June 30, 2005:

MI 6-1/5,7,8,10,11	Low rent program	628	units
MI 28-V005	Section 8 Vouchers	1197	units
MI 28-C	Shelter Plus Grant	51	units
Supportive Services, Homeless Grant, Capital Funds			

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, the Commission has reported a component unit; the Component unit has been reported as a blending, added to the combined statement of net assets.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board, (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Notes to Financial Statements- continued

Inventory

Inventory is valued at the lower of cost (First in, First out) or market. Inventory consist of expendable supplies held for consumption. The cost of supplies is recorded as an expenditure at the time the inventory is consumed.

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed. The due to/from is eliminated in the upper level financial statements, but is represented in the financial data schedule, (FDS).

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Money Market Accounts	\$ 1,936,140
Petty Cash	<u>250</u>
Financial Statement Total	<u>\$ 1,936,390</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Money Market A/C	\$ 1,936,140	\$	\$	\$ 1,936,140	\$1936,140
Petty Cash	<u>250</u>			<u>250</u>	<u>250</u>
Total Cash	\$ <u>1,936,390</u>	\$	\$	\$ <u>1,936,390</u>	\$ <u>1936,390</u>

In addition to the above, family self sufficiency escrows in the amount of \$ 83,433 are in category 1 as checking accounts.

The Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Prepaid Expenses.

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 19,166
Material & Office Supplies	<u>289,693</u>
	\$ <u>308,859</u>

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 2,919,124	\$	\$ 210,321	\$ 2,708,803
Buildings	43,214,151	258,878		43,473,029
Furniture & Equipment-Dwellings	621,588	63,943		685,531
Furniture & Equipment-Admin	1,117,072	30,006		1,147,078
Leasehold Improvements	<u>70,266</u>			<u>70,266</u>
	\$47,942,201	\$ 352,827	\$ 210,321	\$48,084,707
Less Accumulated Depreciation	<u>29,247,804</u>	<u>1,408,580</u>	<u>917</u>	<u>30,655,467</u>
	\$ <u>18,694,397</u>	(<u>1,055,753</u>)	\$ <u>209,404</u>	\$ <u>17,429,240</u>

Notes to Financial Statements- continued

Note 5: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued wages & payroll taxes	\$ 49,296
Account Payable to Revolving Fund	<u>180,681</u>
Financial Statement Total	<u>\$ 229,977</u>

Note 6: Retirement.

The Commission participates in the City of Saginaw pension plan. A percentage of all eligible employees wages is contributed to the fund. Statistical information and funding requirements are contained in a separate audit report provided by the City of Saginaw. Since the employees of the Commission are City employees, see general comment, the statistical information for the Commission assigned employees is unavailable as a separate unit, therefore, the entire City's pension data is contained in the City of Saginaw's annual report.

Note 7: Other Current Liabilities.

Other Current Liabilities consists of the following:

Pension Escrow	\$ 253,773
Health Insurance Escrow	300,992
Family Self Sufficiency Escrows	83,241
Miscellaneous	<u>12,895</u>
	<u>\$ 650,901</u>

The above pension and insurance escrows were ordered by HUD because of their position on post retirement benefits reimbursed to the City of Saginaw. HUD's instruction occurred in February 2004, the above represents the payments which would have gone to the City for retired employees health benefits and the under funded retired employees pension benefits. For further information on the above items, see the general comment contained in this report.

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 46,649,200
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Bond	200,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

Notes to Financial Statements- continued

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 10: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

SAGINAW HOUSING COMMISSION
General Comment
June 30, 2005

The Saginaw Housing Commission (Commission) employees are Saginaw City employees. The Commission reimburses Saginaw City for all wages, payroll taxes and benefits such as health insurance and pension cost for both current and retired Commission employees.

This is a complicated issue which deserves some discussion. A question was raised concerning the use of public housing funds to reimburse the City of Saginaw for pension and health insurance liabilities for retired City employees who were assigned to work for the Commission, when those liabilities arose out of a collective bargaining agreement between the City of Saginaw and the unions, and are not incurred as a result of any contractual obligations between the Commission and the unions. HUD further stated in a later communication "these expenditures are inappropriate for the PHA to make because they are obligations incurred by the City of Saginaw, as agreed to in the collective bargaining agreement. They are not legitimate expenses of the PHA's."

The above position appears to be very definitive, but it is problematic; not only does this prohibition address the current year, it would also indicate those cost are ineligible in prior years. HUD's communication briefly touched upon the possibility of a court decision which may impact its position. The communication also failed to address the treatment of the amounts spent in the current year as well as past years.

In my opinion, this is equivalent to a legal fiction. The substance of the matter is whether these employees worked for the City, or for the Commission. In fact, they served the interest of the Commission; the Commission had direct supervision of the employees, the employees reported for work to the Commission, and the Commission's management had the right to terminate said employees. It seems too convenient for HUD to allege further obligations are not the responsibility of the Commission. In other areas, such as the Davis Bacon Act, HUD mandates that prevailing (local) wages and benefits be afforded contractor's employees, but when the prevailing (local) benefits call for post retirement benefits for Commission employees, HUD chooses to abandon those obligations.

This issue supersedes the current reporting period; post retirement benefits have been paid for retired Commission (City) employees for the past 30 years. In the years when HUD required the submission and approval of annual budgets, post retirement cost were included as a line item and approved by HUD. Office of Management and Budget (OMB) cost principle circulars A-87, A-110, and A-133 all address allowable cost issues; certain cost are unallowable unless specifically approved by the funding source; since budgets have been approved in the past including such cost, it would appear these are allowable cost.

Finally, a precedence has been set both in practice and in law. As stated above, Federal laws such as the Davis Bacon Act requires the recognition of prevailing wages and benefits in construction contracts, and, previously approved budgets specific allow the inclusion of post retirement benefits as an allowable cost. In addition, to disallow these cost currently or prospectively without addressing the prior periods would be inconsistent; such treatment could constitute a change in accounting principle which may require a qualified report.

The current financial statement presentation includes the post retirement benefits as it has in all prior years; no accrual has been made for any possible account receivable for the current or prior periods. The Commission's legal counsel has advised the Commission to discontinue paying these benefits, however, to fund an escrow account in the event a decision holds to continue such payments.

As of the date of this audit, HUD informed the Commission that the cost could be paid as they do not represent a condition for separation, but rather, represent on going cost allowed or allowable by HUD in prior years. This position is consistent with the arguments presented above, and the Commission is in agreement with that decision. The details of the agreement have not been finalized and the information in the financial statements has not changed since the date of the audit.

This comment is designed to inform the reader of the pending situation and the current treatment in the financial statements of post retirement cost. The ultimate resolution and treatment of the current and past cost is unknown at this time.

Saginaw Housing Commission

30-Jun-05

MI-006

	Combining Balance Sheet	Low Rent 14.850	Housing Choice Voucher Program	Youth Sports Program 14.863	Development 14.850	Capital Projects Funds 14.872	Supportive Housing Program 14.238	Shelter Plus Care 14.238	ROSS Grant 14.870	Component Units	TOTAL
	ASSETS:										
	CURRENT ASSETS:										
	Cash:										
111	Cash - unrestricted	1,715,478	188,029					5,337		27,546	1,936,390
113	Cash - other restricted		83,433								83,433
114	Cash - tenant security deposits										-
100	Total cash	1,715,478	271,462	-	-	-	-	5,337	-	27,546	2,019,823
	Accounts and notes receivables:										
121	Accounts receivable - PHA projects										-
122	Accounts receivable - HUD other projects		-	-	-	4,011		2,557			6,568
124	Accounts receivable - other government										-
125	Accounts receivable - miscellaneous	-									-
126	Accounts receivable- tenants - dwelling rents	17,599								172	17,771
126.1	Allowance for doubtful accounts - dwelling rents	(751)									(751)
126.2	Allowance for doubtful accounts - other										-
128.1	Allowance for doubtful accounts - fraud										-
129	Accrued interest receivable										-
120	Total receivables, net of allowances for doubtful accounts	16,848	-	-	-	4,011	-	2,557	-	172	23,588
	Current investments										-
131	Investments - unrestricted	-									-
132	Investments - restricted										-
142	Prepaid expenses and other assets	19,166	-				-				19,166
143	Inventories	289,693								-	289,693
143.1	Allowance for obsolete inventories										-
144	Interprogram - due from	11,905	80,035	-		-			-	67,366	159,306
146	Amounts to be provided										-
150	TOTAL CURRENT ASSETS	2,053,090	351,497	-	-	4,011	-	7,894	-	95,084	2,511,576
	NONCURRENT ASSETS:										
	Fixed assets:										
161	Land	2,572,106	21,697		-					115,000	2,708,803
162	Buildings	41,149,118	212,550		-	1,871,140				240,221	43,473,029
163	Furniture, equipment & machinery - dwellings	621,296			-	62,988				1,247	685,531
164	Furniture, equipment & machinery - administration	1,028,868	91,710		-	26,500				-	1,147,078
165	Leasehold improvements									70,266	70,266
166	Accumulated depreciation	(30,507,784)	(147,681)	-	-	(1)				(1)	(30,655,467)
160	Total fixed assets, net of accumulated depreciation	14,863,604	178,276	-	-	1,960,627	-	-	-	426,733	17,429,240
171	Notes and mortgages receivable - non-current										-
172	Notes and mortgages receivable-non-current-past due										-
174	Other assets	-									-
175	Undistributed debits										-
176	Investment in joint ventures										-
180	TOTAL NONCURRENT ASSETS	14,863,604	178,276	-	-	1,960,627	-	-	-	426,733	17,429,240
190	TOTAL ASSETS	16,916,694	529,773	-	-	1,964,638	-	7,894	-	521,817	19,940,816

[illegible]

MI-006

[illegible]

[illegible]

[illegible]

SAGINAW HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3029 Operating Subsidies	\$ <u>1,207,608</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3099V Section 8 Housing Choice Vouchers	\$ <u>5,694,469</u>
<u>CFDA 14.235 Supportive Housing Program</u>	
C-3029 Special Needs	\$ <u>394,239</u>
<u>CFDA 14.238 Shelter Plus Care</u>	
C-3029 Shelter Plus Care Program	\$ <u>266,039</u>
* <u>CFDA 14.872 Public Housing Capital Fund Program</u>	
C-3029 Capital Fund Program	\$ <u>866,814</u>
<u>CFDA 14.854 Resident Opportunity Supportive Service</u>	
C-3029 ROSS Grant	\$ <u>31,008</u>
	\$ <u>8,460,177</u>

*Connotes Major Program Category

Notes to Federal Awards Schedule:

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Notes to Federal Awards Schedule- continued

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 46,649,200
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Bond	200,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

SAGINAW HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2005

The prior audit of the Saginaw Housing Commission for the period ended June 30, 2005, contained five audit findings; the following represents the corrective action taken by the Commission:

Finding 1: Unauthorized Land Purchase- HUD has instructed the Commission to sell the land; however, some questions have arose concerning bona fide purchasers- this is a repeat finding.

Finding 2: Tenant Accounting Discrepancies- Low Rent Program; 4 files lacked proper third party verifications; a review of the current tenant files did not reveal a lack of third party verifications- some minor input infractions exist, however, this is not a finding.

Finding 3: Tenant Accounting Discrepancies- Section 8 Vouchers; 11 files lacked third party verification, 3 files had the wrong utility allowance. Similar problems still exist, this is a repeat finding.

SAGINAW HOUSING COMMISSION
Report on Compliance Applicable with Requirements to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
June 30, 2005

Compliance

I have audited the compliance of Saginaw Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Saginaw Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Saginaw Housing Commission's management. My responsibility is to express an opinion on Saginaw Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saginaw Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Saginaw Housing Commission's compliance with those requirements.

As described in the following findings in the accompanying schedule of findings and questioned costs, the Commission failed to comply with one or more of the following compliance requirements: Activities allowed or unallowed, Allowable Costs/cost Principles, Cash Management, Davis-Bacon Act, Eligibility, Procurement, Reporting, or other compliance matters. Compliance with such requirements is necessary, in my opinion, for the Commission to comply with the requirements applicable to that program. The following programs, findings and compliance matters are detailed in the schedule of findings and questioned cost:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
----------------	-------------------------	--------------------------------

Low Rent Public Housing:

Unauthorized Land Acquisition	03-03	Allowable Costs/cost Principles
-------------------------------	-------	---------------------------------

Section 8 Housing Choice Vouchers:

Tenant Accounting Discrepancies	04-02	Eligibility
---------------------------------	-------	-------------

In my opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Saginaw Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Saginaw Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as referred to above.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 18, 2005

SAGINAW HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
June 30, 2005

I have audited the financial statements of Saginaw Housing Commission, Saginaw, Michigan, as of and for the year ended June 30, 2005, and have issued my report thereon dated October 18, 2005. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saginaw Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards; see the findings and questioned cost section of this audit report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Saginaw Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

October 18, 2005

SAGINAW HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2005

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Programs	X	
Capital Projects Funds	X	
Supportive Housing Program		X
Housing Development Grant		X
Service Coordinator/Youth Violence		X
Shelter Plus Care		X
Resident Opportunity Supportive Services		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X No
Reportable condition(s) noted	_____ Yes	_____ X No
Non Compliance material to financial statements noted	_____ Yes	_____ X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted	_____ Yes	_____ X No
Reportable condition(s) noted	_____ X Yes	_____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Public and Indian Housing	Yes	None	N/A
		513,000	03-3
Housing Assistance Programs	Yes	None	04-2
Supportive Housing Program	No	None	N/A
Capital Fund Program	Yes	None	N/A
Development Grant	No	None	N/A
Youth Sports Program	No	None	N/A
Resident Opportunity Supportive Services	No	None	N/A
Shelter Plus Care	No	None	N/A

SAGINAW HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
June 30, 2005

The following findings of the Saginaw Housing Commission, for the year ended June 30, 2005, was discussed with the Executive Director, Mr. Duane L. Walker, in an exit interview conducted October 18, 2005.

Finding 03-3 Unauthorized Land Acquisition

The Commission purchased a track of land for future housing development for \$ 506,860 using Low Rent reserves. The reserves represent federal dollars and therefore fall under the purview of HUD's authority. The Commission was required under the Annual Contributions Contract (ACC) to obtain permission from HUD to acquire the land; the Commission failed to obtain permission, therefore, the acquisition is a questioned cost. This is a repeat finding.

Recommendation

The acquisition of the property in question using Public Housing operating reserves required consultation and authorization from HUD according to the ACC. The Contract has many provisions involving the continued funding of the Commission; violations of the Contract could result in a loss of future funding.

I recommend the Commission observe all the provisions of the ACC; the Commission must discuss the acquisition of this parcel with HUD. The purchase could be approved as planned or HUD may require the Commission sell the land.

Reply

The Saginaw Housing Commission has been diligently moving forward with efforts to dispose of the property at fair market value pursuant to the directive from the Detroit HUD Field office:

- Received updated appraisal of the property August 1, 2005
- Issued a Request for Proposals (RFP) for qualified Commercial Realtors to list and sell the property on November 6, 2005.
- Received one response by November 18, 2005 bid opening.
- Reissued RFP for Qualified Commercial Realtors on December 11, 2005.
- Bids were to be received by December 29, 2005. No bids were received.
- Board approved negotiations of contract with sole respondent to initial solicitation at January 17, 2006 SHC Board meeting.
- Contact with selected Realtor and negotiation of contract terms ongoing.

Finding 04-2 Tenant Accounting Discrepancies- Section 8 Housing Choice Vouchers

23 files were reviewed and the following discrepancies were noted:

- 5 files lacked proper third party income verification
- 2 files used the wrong utility allowances
- 5 files were not re-examined in a timely manner.

Recommendation

The Annual Contributions Contract and HUD notices specify the requirements concerning leasing and continued occupancy.

The Commission has experienced several key employee retirements, the result is that the Section 8 Housing Choice Program has lost a supervisor and long term employee, which were not replaced until late in the year; the above discrepancies may be a result of a lack of experienced personnel in the program.

I recommend the Commission follow all HUD requirements concerning tenant leasing and continued occupancy.

Reply

A review of the 12 files mentioned above revealed the following:

3rd Party Verification

V 455 - No bank asset verification in file.

Remedy: Verification mailed out December 7, 2005. Bank account closed. Asset removed from household.

V 825- Incorrectly counted SSI income for head of household. Per verification in file no SSI is received.

Remedy: Amounts removed from database and Interim Adjustment was completed effective November 1, 2005 retro active to June 1, 2005.

V 554-

Remedy: Employer did not respond to two separate requests for employment verification. Sent letter to tenant asking for employment verification. Tenant provided print out of check dates, hours worked, and gross wages. New income information worked up never entered in database. Updated income entered into system 10/18/2005 changed tenants portion of rent from \$108.00 to \$151.00. Tenant notified of change October 18, 2005 to be effective December 1, 2005

V 602- Annual re-certification completed September 1, 2005. No child support verification in file.

Remedy: Updated file with correspondence from Friend of the Court.

Finding 4-2, continued

V 1380- Tenant came into office for Interim Adjustment in February 22, 2005. Completed re-certification with rent adjustment information. FIA verification faxed to SHC February 24, 2005. Verification was valid for 120-day and was used for the re-certification process. Re-certification was effective June 1, 2005. Documentation is in the file.

Wrong Utility Allowances

V 1307- Incorrect: \$240.00. Correct: \$179.00.

Remedy: Utility allowance changed in system 12/1/2005. Would not have resulted in a change in tenant payment. Rent portion changed due to change in household income.

V 250- Incorrect: \$136.00. Correct: \$194.00.

Remedy: Changed utility allowance in system November 22, 2005. No change in tenant's portion of the rent.

Late Re-Exams

V 200- Annual re-certification date was 11/05.

Remedy: Re-certification was completed effective 12/05.

V 1016- Annual re-certification date was 10/05.

Remedy: Re-certification was completed effective 12/05.

V 141- Annual re-certification date was 10/05.

Remedy: Re-certification was completed effective 12/05.

V 1307- Annual re-certification date was 01/05.

Remedy: Re-certification was completed effective 03/05.

V 181- Annual re-certification date was 09/05.

Remedy: Re-certification was completed effective 11/05.

The Saginaw Housing Commission will continue to incorporate its Quality Control process that requires supervisory review of tenant files to decrease the incidence of errors and/or omissions in the overall annual review process.

As mentioned by the auditor, turnover in the position of Section 8 Administrator has had its effect on the supervisory oversight of the quality control process. It is anticipated that a fulltime Section 8 Administrator will be in place before the end of 2006.